

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1638 – SB 1598

March 2, 2016

SUMMARY OF ORIGINAL BILL: Creates funding mechanisms for local education agencies that create (creating LEAs) regional schools with a specific focus that permit students from outside the creating LEA to attend. If a regional school student resides in the jurisdiction of the creating LEA, then Basic Education Program (BEP) funding for the student shall be the same as other students within the LEA. Requires the Department of Education (DOE) to withhold and transfer state BEP funding to LEAs that house regional schools for regional school students that do not reside within the jurisdiction of the creating LEA, which shall be dependent on the difference between the student's home LEA BEP funding amount and the BEP funding amount of the LEA where the regional school is located. Requires the DOE to include in the amount of BEP funding transferred the difference between the creating LEA's state and local BEP funding and the home LEA of the regional school student. Only funds from the state BEP account shall be transferred between LEAs.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Exceeds \$10,250/FY16-17 and Subsequent Years/BEP

Increase Local Revenue – Exceeds \$10,250/FY16-17 and Subsequent Years/
State BEP Funding

Other Fiscal Impact – There will be a shift of state BEP funding estimated to exceed \$10,000 per year beginning in FY16-17 from any home LEA to any LEA where the regional school is located. Beginning in FY17-18 and in any second and subsequent years after students transfer, the LEA from which students transfer may be able to permissively decrease their local expenditures, and the LEA to which students transfer will permissively increase their local expenditures; both estimated to exceed \$10,000 per year.

SUMMARY OF AMENDMENT (013117): Deletes all language of the original bill. Authorizes local boards of education to admit pupils from outside their local education agency (LEA). Local boards of education may also arrange for the transfer of students residing within their jurisdiction to outside LEAs and enter into agreements with other local boards of education for the admission or transfer of students from one LEA to another.

If an LEA has created a regional school with a focus on science, technology, engineering, and math (STEM), then local Basic Education Program (BEP) funding shall also follow the student

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to the LEA where a student is transferring. Prohibits any tuition from being charged by the LEA where a STEM school student is transferring.

Sets forth the procedure for transfer of state and local BEP funds for students transferring to a regional STEM school. Requires the DOE to withhold from the sending LEA's state BEP payments, an amount equal to the difference between the two LEAs' BEP per pupil expenditures and to include this amount in the payments made to the LEA to which a regional STEM student is transferring in the event that the total state and local BEP funds in an LEA from which a student is transferring are less than the amount of the total state and local BEP funds provided for students within the LEA to which a regional STEM student is transferring.

Prohibits the total state and local BEP funds associated with a student who is transferring to a regional STEM school from exceeding the total amount of state and local BEP funds provided for such a student in the receiving LEA. LEAs are authorized to enter into agreements whereby additional funds, above and beyond what the BEP funding formula requires, will be paid to the LEA that contains the regional STEM school.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – To the extent students transfer to a regional STEM school; state and local BEP funding will transfer from the student's home LEA to the LEA where the regional STEM school is located in the first fiscal year of such transfer. These shifts are reasonably estimated to exceed \$110,000 in any first fiscal year of transfer.

Beginning in the second year, and in any subsequent years following student transfers, the LEA from which students transfer may be able to permissively decrease expenditures or reallocate local funding in an amount reasonably estimated to exceed \$50,000.

Assumptions for the bill as amended:

- LEAs will not be required to create regional schools.
- Statewide, the average required BEP per pupil expenditure is \$6,643 (\$4,330 state funding; \$2,313 local required match).
- The state will transfer the BEP per pupil expenditure from the sending LEA to the creating LEA in the first fiscal year that a regional school student attends the school.
- After the first year of a transferring student's attendance at a regional school, the student will no longer be counted within the home LEA's average daily membership for the purposes of state and local BEP funding.
- In the first fiscal year that a transfer occurs, the home LEA will realize a loss in BEP funding which will be offset by an increase in BEP funding for the LEA to which a student transfers.

- The state will withhold from state BEP funding the difference between per pupil expenditures if the receiving LEA has a higher per pupil expenditure than the LEA from which a student is transferring.
- Based on information from the DOE, the average difference between total LEA BEP per pupil expenditures is \$205.
- Based on information from DOE, the number of students that will transfer to a regional school in any given year is unknown. However, it is estimated that a minimum of 50 students will transfer to a regional school in an LEA with a higher per pupil expenditure beginning in FY16-17.
- The exact amount of BEP funding that will transfer in the first fiscal year that a student transfers, independent of additional state BEP funding, is unknown and dependent upon multiple unknown factors such as the per pupil expenditure for LEAs from which students transfer and the per pupil expenditure for LEAs to which a student transfers; the per pupil expenditures in each LEA in subsequent fiscal years; the capacity of a regional school in any fiscal year; and the number of students who will annually transfer into and out of a regional school; however based on the statewide average BEP per pupil expenditure the amount of this transfer is reasonably estimated to exceed \$100,000.
- Though the amount of any additional per pupil expenditure that is withheld as a result of a student's home LEA having a lower BEP per pupil expenditure than the LEA to which a student is transferring is unknown; based on the average difference in per pupil expenditures statewide the amount of this additional shift in state BEP funding is estimated to exceed \$10,000.
- Beginning in FY17-18, and in any subsequent second fiscal year after a student has transferred to a regional school, the home LEA may reduce or reallocate its local expenditures as a result of a decrease in enrollment. The permissive recurring decrease in local expenditures for any applicable home LEAs is estimated to exceed \$50,000.
- The LEA from which a student is transferring will not be required to transfer the amount of local per pupil funding that is above and beyond what the BEP is requiring to the LEA to which a student transfers.
- LEAs will be able to use retained funding in the first fiscal year of student transfers to offset any increase in local government expenditures or to use at their discretion for some other purpose.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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